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FM AMEMBASSY HARARE  
TO RUEHC/SECSTATE WASHDC 3985  
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RUEHUJA/AMEMBASSY ABUJA 2181  
RUEHAR/AMEMBASSY ACCRA 2593  
RUEHDS/AMEMBASSY ADDIS ABABA 2715  
RUEHRL/AMEMBASSY BERLIN 1202  
RUEHBY/AMEMBASSY CANBERRA 1984  
RUEHDK/AMEMBASSY DAKAR 2339  
RUEHKM/AMEMBASSY KAMPALA 2764  
RUEHNR/AMEMBASSY NAIROBI 5192  
RHEHAAA/NSC WASHDC  
RHMFISS/EUCOM POLAD VAIHINGEN GE  
RUEHGV/USMISSION GENEVA 1882  
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK  
RHEFDIA/DIA WASHDC  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000075

AF/S FOR B. WALCH  
ADDIS ABABA FOR USAU  
ADDIS ABABA FOR ACSS  
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN  
TREASURY FOR D. PETERS  
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN  
COMMERCE FOR ROBERT TELCHIN

SIPDIS

E.O.12958: N/A  
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SUBJECT: ZIM NOTES 01-30-2009

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11. SUMMARY  
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Topics of the week:

- MDC-T to Vote Today on Whether to Join Government...
- EU Expands Sanctions List...
- Cholera Deaths Continue...
- Farm Invasions Continue Despite Tribunal Ruling and BIPPAs...
- Still No Resolution to Abduction Cases...
- Teachers Don't Show...
- GOZ Introduces Wildly Optimistic Budget...
- Tobacco Output Well Below Target...
- More Strikes Looming as Collective Bargaining Period Approaches...
- Companies Devise Survival Strategies...
- Zimbabwe's U.S. Dollar Inflation High But Falling...
- Economic Tidbit of the Week...

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12. Price Movements-Exchange Rate  
and Selected products  
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Note: The near universal dollarization of the Zimbabwean economy has obviated the need and relevancy of tracking prices in local currency. In the absence of reliable government-provided economic data, Post is currently evaluating more useful methods of gaining economic insights into Zimbabwe.

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On the Political/Social Front  
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13. MDC-T to Vote Today on Whether to Join Government... Following the recommendation by the SADC Extraordinary Summit on January 26 that ZANU-PF and the two MDC factions form a government as soon as possible, the MDC-T National Council will meet on January 30 to determine if they will endorse the SADC resolution. While the MDC-T

issued a statement following the Summit that the SADC recommendations fell "far short" of their expectations, after gaining some concessions on the appointment of governorships, the composition of the proposed National Security Council, and promises to revisit the issues of other senior appointments, political violence, and ministerial allocations, prime minister-designate Morgan Tsvangirai appears to favor a deal. See Harare 70

14. EU Expands Sanctions List... The European Union stepped up pressure on the Mugabe government on January 26 by adding the names of 27 individuals and 36 companies to the list of persons and entities that are banned from travelling to EU countries and whose assets have been frozen by European financial institutions. Some of the newly-named individuals with close ties to the government include John Bredenkamp, "Billy" Rautenbach, and family members of ZANU-PF regime members who had been previously named. The EU also declared support for an investigation into illicit diamond sales in Zimbabwe.

15. Cholera deaths continue... As of January 29, the cholera outbreak had caused 3,161 deaths, with 60,400 suspected cases reported, according to the UN World Health Organization (WHO). For the week of January 18 to 24, WHO noted that while cholera cases continued to increase, cholera deaths and the overall case fatality rate (CFR) decreased from the previous week. The institutional CFR, measuring only cholera deaths in health facilities, declined to 1.3 percent for the week, likely indicating further improvements in case management at cholera treatment centers. Ambassador McGee visited the UN Children's Fund warehouse in Harare on January 29 to officially hand over hygiene supplies funded by USAID's Office of U.S. Foreign Disaster Assistance (USAID/OFDA), including 400 metric tons of soap,

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10 million water treatment tablets, 30,000 water containers, and 30,000 buckets.

16. Farm Invasions Continue Despite Tribunal Ruling and BIPPAs... The few remaining commercial farmers in Zimbabwe continue to report incidences of harassment and land invasions as the government continues to implement the controversial land reform program first begun in 2000. Neither a favorable ruling by a SADC Tribunal declaring Zimbabwe's actions in violation of its SADC treaty obligations, nor Bilateral Investment Promotion and Protection Agreements between Zimbabwe and foreign nations have protected commercial farmers. See Harare 072.

17. Still No Resolution to Abduction Cases... Human Rights crusader Jestina Mukoko is due in the High Court on January 30 where lawyers are pushing for her release on bail, pending a still unscheduled hearing in the Supreme Court on the legality of her abduction. Numerous court cases have been delayed, as court clerks join other poorly paid civil servants in unofficial strikes. Of the 21 abductees who have appeared in police custody, only two have been released to date-Tawanda Bvumo and two-year-old Nigel Mutemagau. 15 have testified that they were tortured in state custody. 11 are still missing.

18. Teachers Don't Show... Only a handful of government schools admitted students this week despite the government's mandate that schools open on January 27. The closures were caused by a nationwide boycott by the two major teachers unions, the Progressive Teachers Union of Zimbabwe and the Zimbabwe Teachers Association, who are demanding that their members be paid in foreign currency. The few government schools that did open had worked out arrangements with parents who paid between US\$100 and US\$200 in tuition for the term. The private trust schools-which charge far more-were all opened this week.

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On the Economic and Business Front  
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19. GOZ Introduces Wildly Optimistic Budget... Acting Minister of Finance Patrick Chinamasa introduced a US\$1.9 billion budget to Parliament on January 29, amid jeering from opposition MPs. The Minister proposed a range of market liberalization measures. He also

proposed the use of multiple currencies alongside the Zimbabwe dollar as the solution to Zimbabwe's runaway inflation. However, it is unclear how the GOZ can raise enough foreign exchange in taxes to achieve a balanced budget. Given that most companies have succumbed to the harsh economic environment, and over 90 percent of production is now done by the informal sector, it is difficult to see how the dollarization will succeed. Much depends on donor support. Overall, the budget is long on intentions but short on how to achieve the targets. See Harare 061.

¶10. Tobacco Output Well Below Target... Chinamasa revealed in yesterday's budget that tobacco output for the 2007/08 season fell to Qyesterday's budget that tobacco output for the 2007/08 season fell to a mere 45 million kg-well below the targeted 73 million kg, and down from the 2000 peak of 237 million kg despite massive financial support from the Reserve Bank of Zimbabwe.

¶11. More Strikes Looming as Collective Bargaining Period Approaches... With the pervasive dollarization of the economy, workers are demanding salary payments in foreign currency. A growing number of employees have joined the strike bandwagon that started with teachers and health workers. National Railways of Zimbabwe employees began a "go slow" a month ago; they were joined by postal service workers on January 21 and Zimbabwe National Water Authority employees the following day. Workers from the Apex Council representing public servants are considering taking industrial action

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against government for failing to agree on payment of salaries in foreign currency. Given the dire shortage of foreign exchange, Zimbabwe is likely to witness widespread strikes in the short term.

¶12. Companies Devise Survival Strategies... In an effort to reduce costs and remain viable, agricultural manufacturer, Chemco Holdings, is rationalizing its business units and shutting down remote retail outlets. Its latest financial results reflect a 40 percent real decline in business activity in 2008. Meanwhile, Dunlop Zimbabwe Limited and National Tyre Services, both owned by Apollo Tires of India, have announced plans to merge as a way of hedging against the negative operating environment and offering increased value to shareholders.

¶13. Zimbabwe's U.S. Dollar Inflation High But Falling... The use of foreign currency alongside the Zimbabwe dollar improved the availability of goods in recent months, but prices were sky high for much of 2008. Private estimates put the U.S. dollar annual inflation rate in Zimbabwe at between 60 and 100 percent. In recent weeks U.S. dollar prices for goods have begun to fall as dollarization of the economy introduced more competition.

¶14. Economic Tidbit of the Week: A mother of a student enrolled in a government school reported that the full school uniform for her primary school-aged child was US\$250 this term. Last term the cost was the equivalent of US\$75.

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Quote of the Week  
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¶15. "The time to go is now, we are ready to give you a golden handshake if you will quit." -- Kenyan Prime Minister Raila Odinga speaking on January 29 about Mugabe, while at the World Economic Forum in Davos, Switzerland.

MCGEE